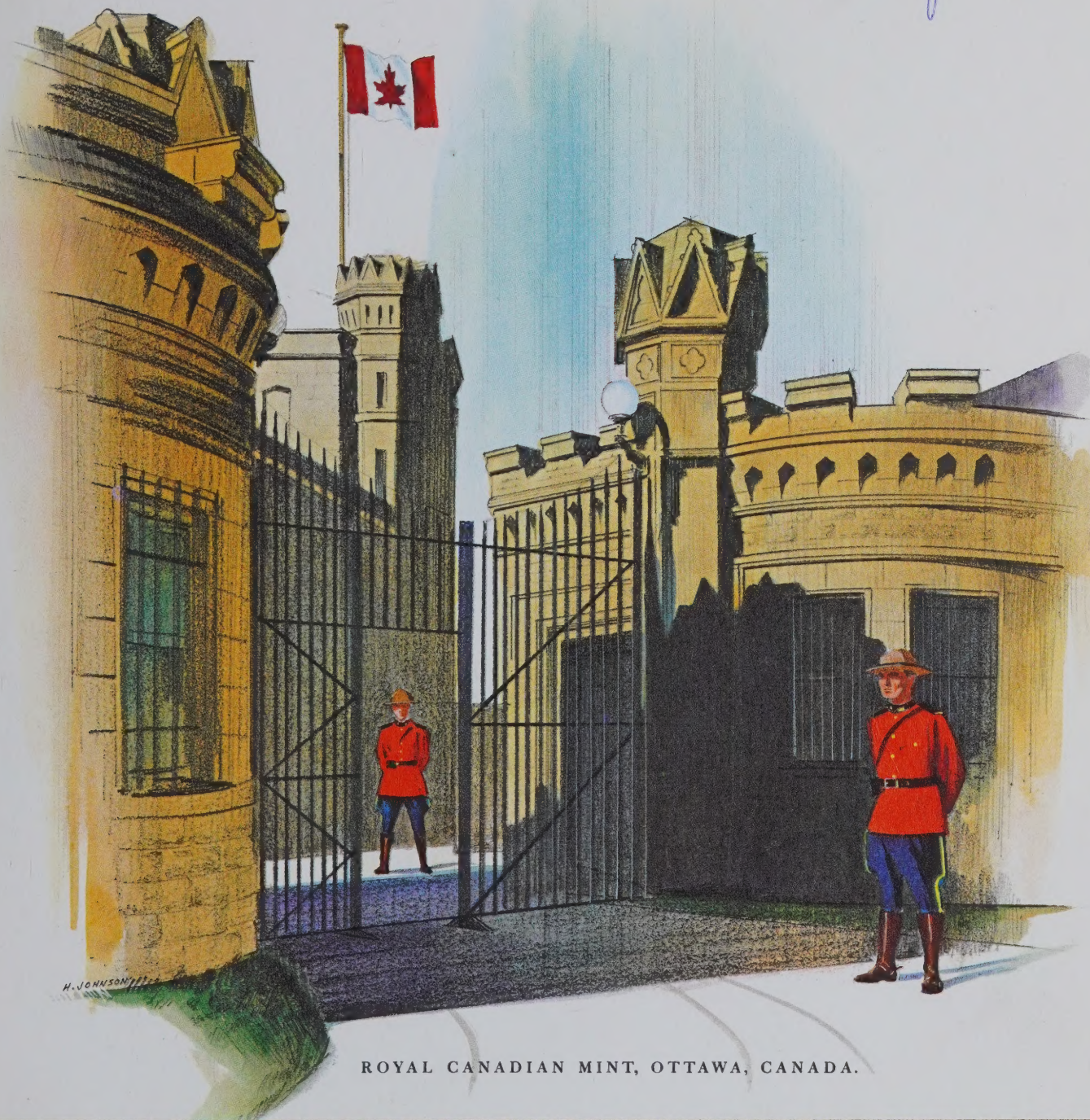


*Liberty for Liberty*



ROYAL CANADIAN MINT, OTTAWA, CANADA.

**MADSEN RED LAKE  
GOLD MINES LIMITED**

*Annual Report 1964*



## MINTS —

*All Dominion of Canada coins dated prior to 1908 were struck at the Royal Mint, London, England, or at Heaton's Mint, Birmingham, England.*

*Dominion of Canada coins dated 1908, and subsequently, were struck at Ottawa, Canada.*

*On January 2nd, 1908, the Ottawa Branch of the Royal Mint was opened.*

*On December 1st, 1931, the Ottawa Branch of the Royal Mint was taken over by the Dominion of Canada and is now known as the Royal Canadian Mint.*

*Canada's official Gold Reserves at January 31st, 1965, were one billion and thirty-six million United States dollars (\$1,036,000,000).*

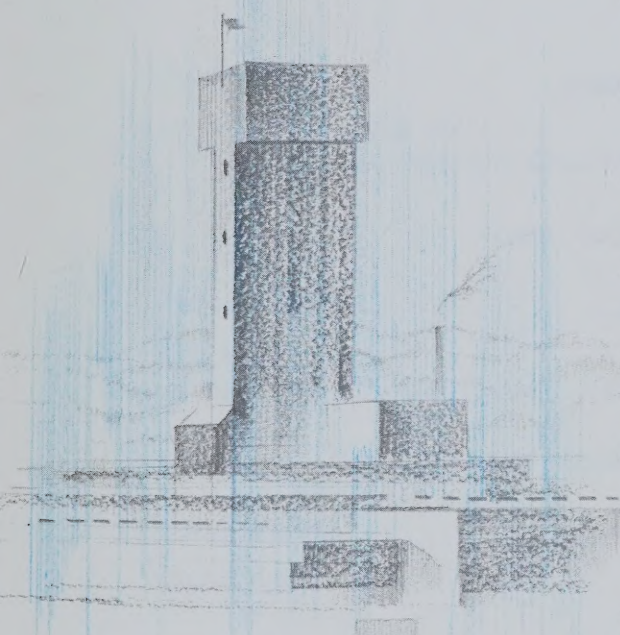
*Canada ranks ninth among the nations in this regard.*

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*After ninety-eight years Canada has a new official Maple Leaf flag which is shown flying from the flagstaff of the Royal Canadian Mint. The flag raising ceremonies took place on Parliament Hill, Ottawa, Canada, on February 15th, 1965, implementing the royal proclamation signed January 28th, 1965, by Queen Elizabeth.*

The Officers  
and Directors of  
Madsen Red Lake  
Gold Mines Limited  
are pleased  
to present their  
Annual Report  
to the shareholders  
for  
the year ended  
December 31st,  
Nineteen Hundred and  
Sixty-Four

•





## Comparative Summary

	<u>1964</u>	<u>1963</u>
Tonnage .....	305,823	306,247
Ounces Gold Produced .....	94,868.822	107,130.856
Average Price of Gold per oz. ....	\$ 37.75	\$ 37.75
Gross Income .....	\$ 3,603,396.77	\$ 4,067,473.77
Costs after Gold Subsidy .....	\$ 2,693,586.47	\$ 2,969,769.72
Operating Profit .....	\$ 909,810.30	\$ 1,097,704.05
Interest and Other Income .....	\$ 53,515.64	\$ 45,980.74
Depreciation .....	\$ 222,488.06	\$ 247,703.41
Taxes .....	\$ 147,500.00	\$ 212,000.00
Net Profit .....	\$ 593,337.88	\$ 683,981.38
Dividends .....	\$ 524,929.20	\$ 524,929.20
Dividends per Share .....	\$ .15	\$ .15
Net Working Capital .....	\$ 2,119,844.67	\$ 1,972,424.57
Unbroken Dividend Record .....	25 years	24 years

# Review of the Year

BY THE DIRECTORS



To the Shareholders:

Your Directors submit with pleasure the Twenty-Ninth Annual Report for the year ended December 31st, 1964, including a review of operations by the Mine Manager, Mr. K. R. North, and the Auditors' Financial Statement.

## OPERATING RESULTS

Gross bullion income was \$3,603,396.77 compared with \$4,067,473.77 in the year 1963. After taking into consideration Use and Occupancy insurance income of \$16,789.00, the net decline in production was \$447,288.00. The average price received for gold was \$37.75 per ounce which was the same in 1963.

The estimated Gold Assistance Aid of \$695,000.00 compared with \$454,000.00 in 1963, helped to maintain a stability in earnings. As a result, mine operating profit was \$909,810.30 compared with \$1,097,704.05 last year.

After the addition of non-operating income, provision for depreciation and income taxes, net profit was \$593,337.88 in 1964 equal to 17 cents per share, compared with \$683,981.38 in 1963 equal to 20 cents per share.

## FINANCIAL

Dividends of \$524,929.20 were paid during the year. The regular rate of ten cents per share was paid plus a five-cent bonus. Similar payments were made in 1963. Total dividend disbursements to December 31st, 1964, amounted to \$9,727,487.84 or \$2.78 per share.

Net working capital of \$2,119,844.67 reflected an increase of \$147,420.10 over that of \$1,972,424.57 at December 31st, 1963.

Depreciation charges on buildings, plant and equipment were taken at 20-per cent which was the same rate as last year.

Provision for federal, corporate and mining taxes was \$147,500.00 compared with \$212,000.00 in 1963.



Net capital expenditures amounted to \$121,586.66. The major items comprising capital additions were (a) homes and trailers \$75,267.14; (b) underground conveying machinery \$16,041.63.

Net current assets in the Pension Trust Funds were \$540,277.73 at December 31st, 1964. The assets of the Pension Trust Funds were transferred to the Manufacturers Life Insurance Company December 1st, 1964. In future, all pension benefits will be insured with that company.

The ten-year summary which is given in another section of the report provides a statistical picture of operations from inception of milling August 11th, 1938, to December 31st, 1964.

## **ORE RESERVE**

After milling 305,823 tons of ore in the year 1964, the Ore Reserve totalled 800,000 tons, grade 0.308 ounces per ton. This compared with 852,600 tons, grade 0.330 ounces per ton, at December 31st, 1963.

The deepest ore included in the Ore Reserve lies in No. 1 zone, 140 feet below the 22nd level.

## **DEVELOPMENT**

A twelve-month program of diamond drilling from five hanging wall crosscuts, between departures 17,600 and 19,800 (2,200 feet) was started in August. It will probe the favourable tuffs to depths of 1,000 feet or more below the 24th level.

Diamond drilling results, so far, below No. 3 zone to depths of 300 feet, were inconclusive. These holes were upwards of 400 feet apart and drilled, initially, to check the ore structure. Drilling at much closer intervals will detail ore intersections encountered.

## **PROPERTIES—Red Lake, Ontario**

The Company held 148 claims at December 31st, 1964, in the Red Lake area, as shown on the map appended to this report.

Pursuant to the terms of an option agreement with Ava Gold Mining Company Limited, dated November 22nd, 1963, majority control was acquired through the purchase of 860,300 shares for the sum of \$19,255.00.

## **MAPPING ON PROPERTY EXTENSION—HEYSON TOWNSHIP**

During the summer, 1964, detailed geological mapping of the north half of the Ava Gold Mining Company Limited property was completed. The favourable lapilli tuff was traced across the property from the Mills property which adjoins Ava on the west.

Further geological mapping will be carried out during the summer of 1965 on the Mills-Ava properties and the unpatented claims lying to the south and northeast of these two properties.

Sufficient assessment work was completed to keep the unpatented mining claims in good standing. Twenty-two claims were staked, four claims were purchased and six claims were permitted to lapse during the year.

## **SURFACE DRILLING—BAIRD TOWNSHIP**

Diamond drilling of surface targets east and west of the shaft is underway. Further surface targets will be drilled during 1965.

## **BAFFINLAND IRON MINES LIMITED**

The Company held 479,850 shares of Baffinland Iron Mines Limited—a 20.564% interest at the end of December, 1964, with the same rights in any future financing.

Your Directors are pleased to report that Baffinland Iron has confirmed more than 100,000,000 tons of direct shipping, high quality hematite and magnetite, grading about 68% Fe (soluble), less than 1% silica, and negligible other deleterious impurities, placing it among the foremost of this type of iron deposit in the world.

The tonnage estimate does not take into consideration over 3,500 feet of additional surface exposure remaining untested by drilling in the No. 1 Deposit nor the potential of similar high grade in No. 2, No. 3, No. 3A and No. 4 Deposits.

Engineering and feasibility studies are now under way in order to determine the economics of early production. Obviously, the two chief considerations are marketing and shipping the ore to potential consumers in Europe or North America.

Plans are sufficiently advanced that many of the earlier more formidable problems of logistics and costs can obviously be overcome, especially those of mining and transport of the iron by land and sea.

## **GENERAL**

On May 6th, 1964, an option was taken on a group of 38 claims in the Township of Wilson, Province of Quebec. Magnetometer and electromagnetic surveys did not disclose any magnetic or conductor zones of possible economic interest. Consequently, the option was not exercised.

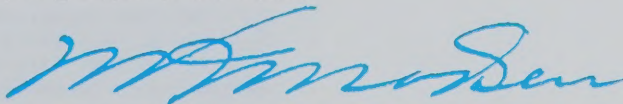
It is with deep regret that we record the deaths of Mr. H. G. Young and Mr. S. J. Bird. They were excellent Directors and their wise counsel will be sadly missed.

It is not the intention of the Board to fill these two vacancies. At a Meeting of the Board held March 11th, 1965, a special resolution was passed reducing the number of Directors from seven to five. Thus, at the Special General Meeting to be held in conjunction with the forthcoming Annual Meeting, the Shareholders will be asked to consider and, if deemed advisable, approve the foregoing special resolution.

The Directors take this opportunity to express their appreciation to all the employees for their loyal and efficient services rendered to the Company during the year.

Respectfully submitted on behalf of the Board.

Toronto, Ontario,  
March 11th, 1965.



President.



# Balance Sheet *as at December 31, 1964*

## MADSEN RED LAKE

### ASSETS

#### Current Assets:

	1964	1963
Cash .....	\$ 1,037,311.16	\$ 980,532.40
Bullion in transit .....	159,150.94	167,859.52
Accounts receivable .....	79,560.36	131,693.08
Estimated gold assistance receivable .....	256,573.29	235,699.95
Marketable securities — at cost less amounts written off .....	256,543.17	207,534.92
(Market value 1964 \$235,971.75, 1963 \$181,848.00)		
Materials and supplies — at cost .....	701,064.23	692,408.98
Prepaid expense .....	15,995.00	19,360.01
<b>Total current assets</b> .....	<b>\$ 2,506,198.15</b>	<b>\$ 2,435,088.86</b>

#### Investments — at cost:

Securities and cash on deposit .....	\$ 27,340.00	\$ 27,340.00
Shares of other companies .....	113,754.00	97,704.00
	<b>\$ 141,094.00</b>	<b>\$ 125,044.00</b>

#### Property, plant and equipment — at cost:

Buildings, machinery and equipment .....	\$ 5,677,659.14	\$ 5,556,072.48
Less: Accumulated depreciation .....	4,787,706.91	4,565,258.85
	<b>\$ 889,952.23</b>	<b>\$ 990,813.63</b>
Mining properties — Red Lake .....	1,667,211.71	1,667,211.71
	<b>\$ 2,557,163.94</b>	<b>\$ 2,658,025.34</b>

#### Deferred Expenditures:

Development — shaft sinking, stations, etc. ....	\$ 728,304.67	\$ 728,304.67
Pension plan contributions .....	72,000.00	90,000.00
	<b>\$ 800,304.67</b>	<b>\$ 818,304.67</b>

#### Other Mining Properties:

Mining claims — at cost .....	\$ 9,963.77	\$ 5,220.73
Deferred exploration expenditure .....	7,058.37	5,414.75
	<b>\$ 17,022.14</b>	<b>\$ 10,635.48</b>
	<b>\$ 6,021,782.90</b>	<b>\$ 6,047,098.35</b>

### AUDITORS' REPORT

We have examined the balance sheet of Madsen Red Lake Gold Mines Limited as at December 31, 1964, and the statements of profit and loss and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

TORONTO, Canada,  
March 2nd, 1965.



# GOLD MINES LIMITED

## LIABILITIES

### Current Liabilities:

	1964	1963
Accounts payable and accrued charges .....	\$ 236,935.95	\$ 278,284.05
Wages payable .....	50,569.60	61,380.24
Estimated taxes payable .....	98,847.93	123,000.00
<b>Total current liabilities</b> .....	<b>\$ 386,353.48</b>	<b>\$ 462,664.29</b>

### Capital Stock:

Authorized; 3,500,000 shares of \$1.00 each .....	\$ 3,500,000.00	\$ 3,500,000.00
Issued and fully paid; 3,499,528 shares .....	\$ 3,499,528.00	\$ 3,499,528.00
Less: Discount on shares .....	1,390,160.50	1,390,160.50
	<b>\$ 2,109,367.50</b>	<b>\$ 2,109,367.50</b>

<b>Earned Surplus</b> .....	3,526,061.92	3,475,066.56
	<b>\$ 5,635,429.42</b>	<b>\$ 5,584,434.06</b>

Approved on behalf of the Board:

M. K. MADSEN, Director.

F. R. MARSHALL, Director.

<b>\$ 6,021,782.90</b>	<b>\$ 6,047,098.35</b>
------------------------	------------------------

## THE SHAREHOLDERS

We report that, in our opinion, the above balance sheet and the attached statements of profit and loss and earned surplus present fairly the financial position of the Company as at December 31, 1964, and the results of its operations for the year ended on that date, according to generally accepted accounting principles applied on a basis consistent with that of the preceding year.

NEFF, GOODWIN & CO.,  
Chartered Accountants.

# Madsen Red Lake Gold Mines Limited

## OPERATING AND PROFIT AND LOSS STATEMENT

For the Year Ended December 31, 1964

	1964	1963
<b>Bullion Production:</b>		
Gold .....	\$ 3,581,322.91	\$ 4,044,226.74
Silver .....	22,073.86	23,247.03
	<u>\$ 3,603,396.77</u>	<u>\$ 4,067,473.77</u>
Less: Marketing charges .....	28,542.81	31,620.68
	<u>\$ 3,574,853.96</u>	<u>\$ 4,035,853.09</u>
<b>Operating and Administration Costs:</b>		
Mining .....	\$ 1,411,722.96	\$ 1,460,178.77
Crushing and milling .....	441,622.89	410,708.49
Mine development .....	762,970.78	799,434.60
Employee benefits .....	363,702.46	353,537.04
Management and general expenses at the property .....	295,820.66	293,107.29
Administration expense .....	84,203.91	75,182.85
	<u>\$ 3,360,043.66</u>	<u>\$ 3,392,149.04</u>
(Directors fees 1964 \$6,277.47, 1963 \$6,784.53) (Legal fees 1964 \$500.00, 1963 \$500.00)		
Less: Estimated gold assistance .....	695,000.00	454,000.00
	<u>\$ 2,665,043.66</u>	<u>\$ 2,938,149.04</u>
<b>Operating Profit</b> .....	<u>\$ 909,810.30</u>	<u>\$ 1,097,704.05</u>
Interest and other income .....	53,515.64	45,980.74
	<u>\$ 963,325.94</u>	<u>\$ 1,143,684.79</u>
Provision for depreciation .....	\$ 222,488.06	\$ 247,703.41
Provision for Dominion and Provincial taxes .....	147,500.00	212,000.00
	<u>\$ 369,988.06</u>	<u>\$ 459,703.41</u>
<b>Net Profit for the Year</b> .....	<u>\$ 593,337.88</u>	<u>\$ 683,981.38</u>

## STATEMENT OF EARNED SURPLUS

For the Year Ended December 31, 1964

	1964	1963
Balance, January 1 .....	\$ 3,475,066.56	\$ 3,335,126.25
<b>Add:</b> Net profit for the year .....	\$ 593,337.88	\$ 683,981.38
Profit on sale of securities .....	1,899.00	4,154.14
Adjustments of prior years' insurance .....	1,359.55	569.51
	<u>\$ 596,596.43</u>	<u>\$ 688,705.03</u>
	<u>\$ 4,071,662.99</u>	<u>\$ 4,023,831.28</u>
<b>Deduct:</b> Dividend #44 at 7½ cents per share paid June 22, 1964 .....	\$ 262,464.60	\$ 262,464.60
(#42 at 7½ cents per share paid June 21, 1963)		
Dividend #45 at 7½ cents per share paid December 21, 1964 .....	262,464.60	262,464.60
(#43 at 7½ cents per share paid December 20, 1963)		
	<u>\$ 524,929.20</u>	<u>\$ 524,929.20</u>
Acquisition costs and development expenditure on mining claims abandoned .....	20,537.81	8,820.52
Adjustments of prior years' gold assistance .....		6,589.29
Adjustments of prior years' taxes .....	134.06	7,246.32
Loss on sale of equipment .....		1,179.39
	<u>\$ 545,601.07</u>	<u>\$ 548,764.72</u>
Balance, December 31 .....	<u>\$ 3,526,061.92</u>	<u>\$ 3,475,066.56</u>



# Madsen Red Lake Gold Mines Limited

## DISTRIBUTION OF GROSS INCOME

For the Year Ended December 31, 1964

Gross Income:	1964	1963
Bullion .....	\$ 3,603,396.77	\$ 4,067,473.77
Interest and other income .....	53,515.64	45,980.74
Gold mining assistance .....	695,000.00	454,000.00
	<u>\$ 4,351,912.41</u>	<u>\$ 4,567,454.51</u>
<b>Distribution:</b>		
Materials, supplies and general operating expenses .....	\$ 1,107,243.31	\$ 1,121,604.33
Salaries and wages .....	1,770,662.25	1,803,913.67
Hydro electric power .....	142,293.86	140,126.26
Workmen's compensation and silicosis insurance .....	147,247.57	155,197.64
Holidays with pay and unemployment insurance .....	86,766.01	79,389.00
Pension, group insurance and medical expense .....	82,917.99	84,822.17
Boarding house and employees' travel expense .....	51,455.48	38,716.65
Provision for taxes .....	147,500.00	212,000.00
Provision for depreciation .....	222,488.06	247,703.41
Net profit .....	593,337.88	683,981.38
	<u>\$ 4,351,912.41</u>	<u>\$ 4,567,454.51</u>

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1964

Source:		Percentage
Net profit for the year .....	\$ 593,337.88	
Add: Provision for depreciation .....	222,488.06	
Deferred pension write off .....	18,000.00	
	<u>\$ 833,825.94</u>	
Profit on sale of marketable securities .....	1,899.00	
Prior years' adjustments — net .....	2,179.09	
	<u>\$ 837,904.03</u>	
<b>Application:</b>		
Dividends paid .....	\$ 524,929.20	62.65
Additions to buildings and equipment — net .....	121,626.66	14.52
Outside exploration .....	27,878.07	3.33
Investments in other companies .....	16,050.00	1.91
	<u>\$ 690,483.93</u>	<u>82.41</u>
Balance, representing the increase in working capital as set out below ....	147,420.10	17.59
	<u>\$ 837,904.03</u>	<u>100.00</u>

December 31,

	1964	1963
Current assets .....	\$ 2,506,198.15	\$ 2,435,088.86
Current liabilities .....	386,353.48	462,664.29
Working capital .....	<u>\$ 2,119,844.67</u>	<u>\$ 1,972,424.57</u>
		<u>\$ 147,420.10</u>

## Our Ten Year

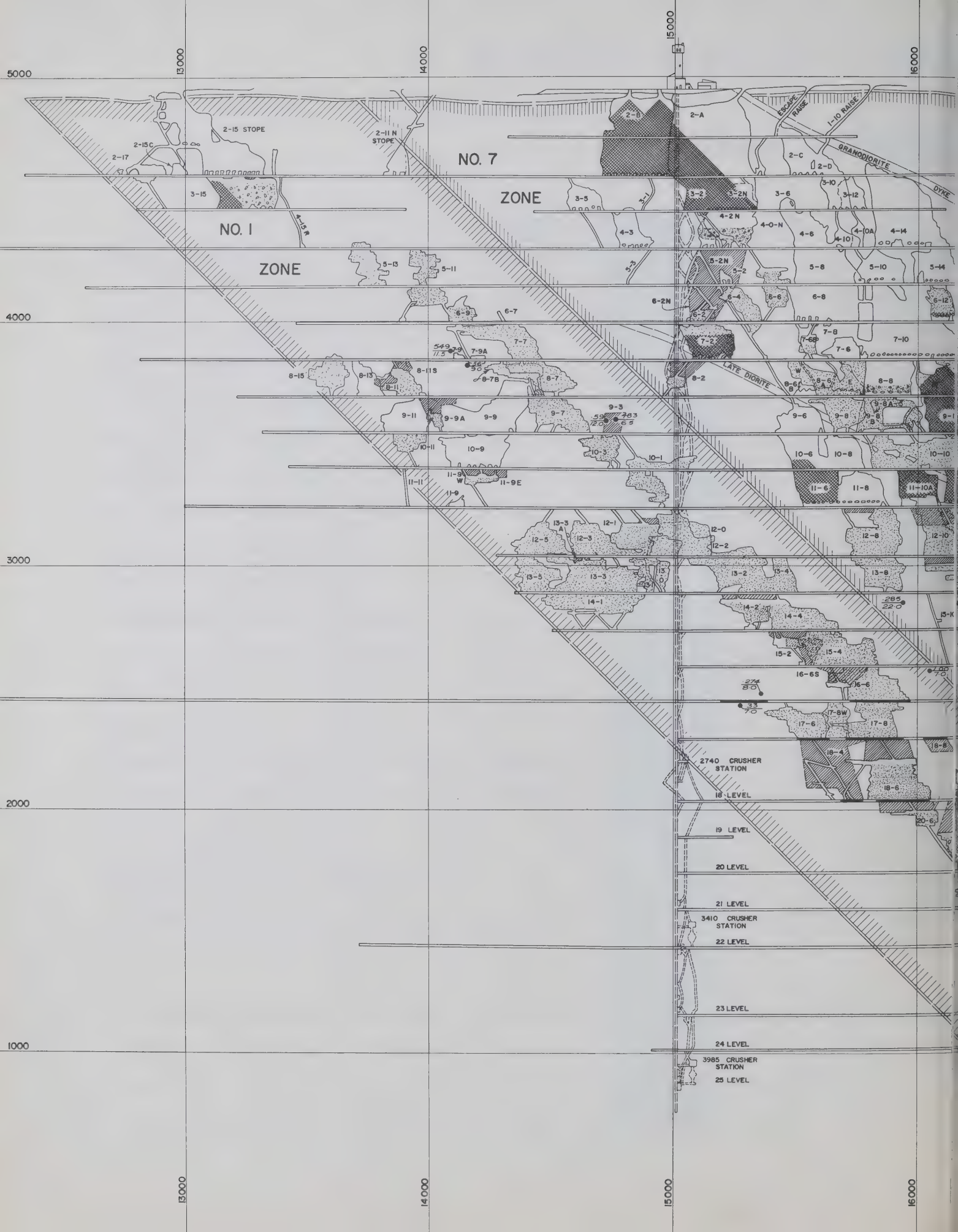
	1938 to 1964	1964	1963	1962
Ounces of gold produced .....	1,849,012.756	94,868.822	107,130.856	100,877.831
Tons of ore milled .....	6,134,601	305,823	306,247	311,705
Recovery value per ton milled .....	\$ 10.63	\$ 11.78	\$ 13.28	\$ 12.17
Average price of gold per ounce .....	\$ 35.27	\$ 37.75	\$ 37.75	\$ 37.42
Income from gold and silver .....	\$65,509,721.28	\$3,603,396.77	\$4,067,473.77	\$3,794,610.80
Operating and marketing costs .....	\$47,120,934.18	\$3,388,586.47	\$3,423,769.72	\$3,465,624.84
Operating profit .....	\$18,388,787.10	\$ 214,810.30	\$ 643,704.05	\$ 328,985.96
Sundry income .....	\$ 578,478.36	\$ 53,515.64	\$ 45,980.74	\$ 51,481.97
Emergency gold mining assistance .....	\$ 4,022,300.00	\$ 695,000.00	\$ 454,000.00	\$ 685,000.00
Provision for taxes .....	\$ 3,787,219.99	\$ 147,500.00	\$ 212,000.00	\$ 178,500.00
Provision for depreciation .....	\$ 4,865,863.67	\$ 222,488.06	\$ 247,703.41	\$ 229,047.69
Net Profit .....	\$13,501,231.02	\$ 593,337.88	\$ 683,981.38	\$ 657,920.24
Net profit per ton .....	\$ 2.20	\$ 1.94	\$ 2.23	\$ 2.11
Net profit per share .....	\$ 4.07	\$ .17	\$ .20	\$ .19
Cash profits less net capital expenditure .....	\$12,044,515.22	\$ 684,994.72	\$ 579,219.65	\$ 639,998.22
Dividends paid .....	\$ 9,727,487.84	\$ 524,929.20	\$ 524,929.20	\$ 524,929.20
Dividends paid per share .....	\$ 2.78	\$ .15	\$ .15	\$ .15
Percentage of dividends paid to cash profits less net capital expenditure .....	80.76	76.63	90.63	82.02
Additions to fixed assets .....	\$ 5,677,659.14	\$ 121,586.66	\$ 319,729.06	\$ 189,490.06
AT END OF YEAR:				
Fixed assets at cost .....	\$ 5,677,659.14	\$5,677,659.14	\$5,556,072.48	\$5,236,343.42
Fixed assets less accumulated depreciation .....	\$ 889,952.23	\$ 889,952.23	\$ 990,813.63	\$ 916,190.77
Working capital .....	\$ 2,119,844.67	\$2,119,844.67	\$1,972,424.57	\$1,942,145.86
Number of employees .....	365	365	424	425



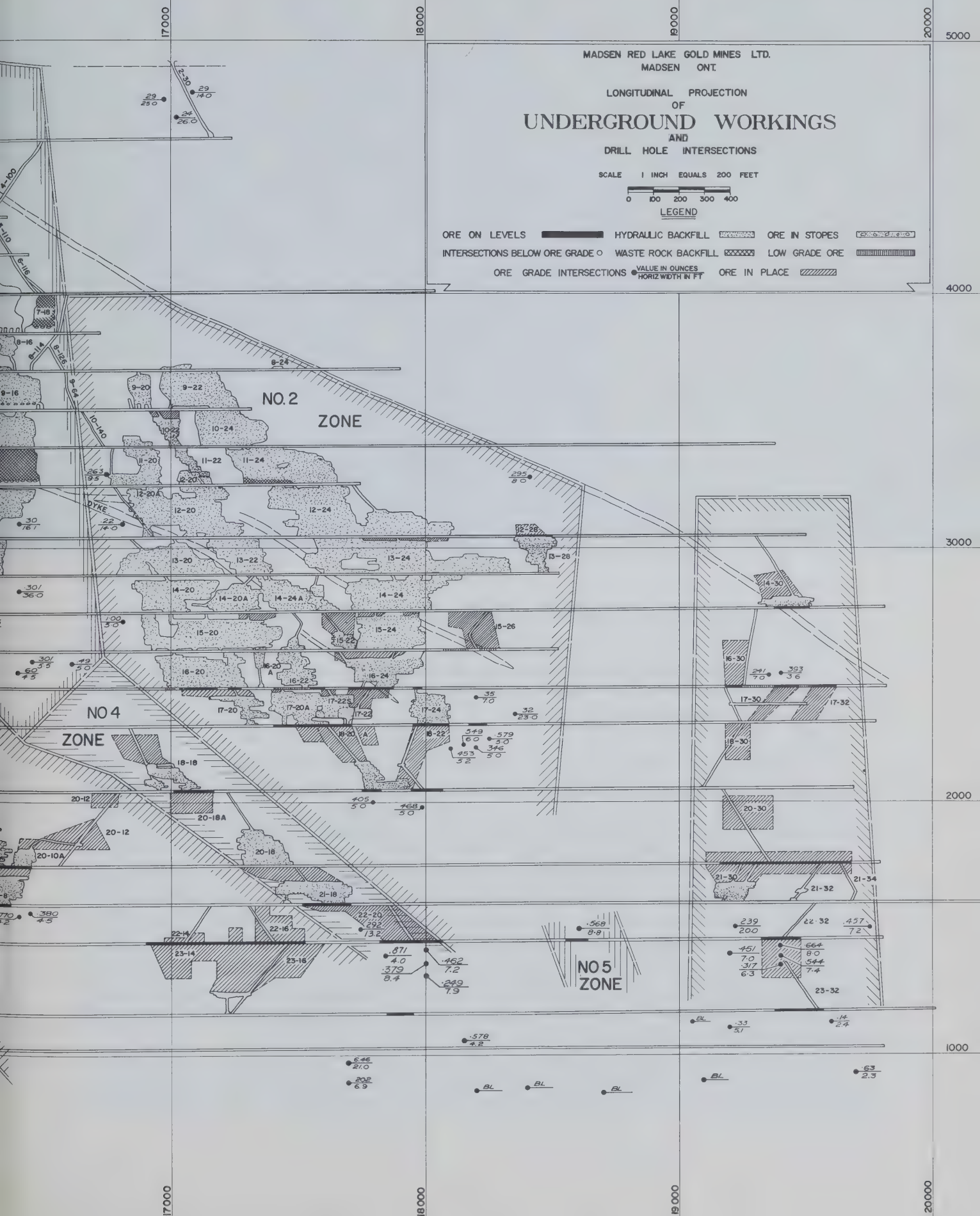
# LAKE GOLD MINES LIMITED

## Operating Story

1961	1960	1959	1958	1957	1956	1955
106,096.338	119,083.749	118,804.674	123,488.940	103,180.955	100,995.037	104,873.501
301,031	306,377	301,999	302,200	305,300	294,913	295,713
\$ 12.57	\$ 13.34	\$ 13.31	\$ 13.93	\$ 11.42	\$ 11.85	\$ 12.30
\$ 35.52	\$ 34.20	\$ 33.68	\$ 33.94	\$ 33.62	\$ 34.43	\$ 34.54
\$3,784,106.81	\$4,088,904.32	\$4,019,616.83	\$4,210,606.14	\$3,485,716.90	\$3,494,386.52	\$3,640,101.71
\$3,401,069.55	\$3,210,400.66	\$2,943,580.62	\$2,630,449.37	\$2,428,015.39	\$2,247,056.73	\$2,163,462.68
\$ 383,037.26	\$ 878,503.66	\$1,076,036.21	\$1,580,156.77	\$1,057,701.51	\$1,247,329.79	\$1,476,639.03
\$ 41,808.47	\$ 41,546.85	\$ 40,651.28	\$ 42,476.74	\$ 25,518.13	\$ 36,615.21	\$ 33,730.57
\$ 590,000.00	\$ 140,000.00	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 128,700.00	\$ 121,800.00	\$ 27,080.00	\$ 299,500.00	\$ 75,280.00	\$ 236,000.00	\$ 412,000.00
\$ 236,473.65	\$ 252,506.11	\$ 273,712.65	\$ 271,409.12	\$ 294,339.55	\$ 268,570.10	\$ 216,185.87
\$ 649,672.08	\$ 685,744.40	\$ 815,894.84	\$1,051,724.39	\$ 713,600.09	\$ 779,374.90	\$ 882,183.73
\$ 2.16	\$ 2.24	\$ 2.70	\$ 3.48	\$ 2.34	\$ 2.64	\$ 2.98
\$ .19	\$ .20	\$ .23	\$ .30	\$ .20	\$ .22	\$ .25
\$ 622,599.96	\$ 708,239.54	\$ 503,774.93	\$ 904,169.21	\$ 492,959.77	\$ 302,095.99	\$ 818,846.85
\$ 524,929.20	\$ 699,905.60	\$ 699,905.60	\$ 699,905.60	\$ 349,952.80	\$ 699,905.60	\$ 699,905.60
\$ .15	\$ .20	\$ .20	\$ .20	\$ .10	\$ .20	\$ .20
84.31	98.82	138.93	77.41	70.99	231.68	85.47
\$ 172,343.80	\$ 156,946.04	\$ 282,926.74	\$ 168,865.80	\$ 397,152.21	\$ 692,146.80	\$ 253,596.25
\$5,046,853.36	\$4,874,509.56	\$4,717,563.52	\$4,434,636.78	\$4,265,770.98	\$3,868,618.77	\$3,176,471.97
\$ 945,894.59	\$1,010,024.44	\$1,094,850.57	\$1,085,636.48	\$1,177,358.16	\$1,074,280.41	\$ 648,557.66
\$1,864,076.84	\$1,791,406.08	\$1,783,072.14	\$1,979,202.81	\$1,774,939.20	\$1,963,932.23	\$2,029,741.84
427	424	385	357	381	362	343











## RE-DISCOVERING THE VIRTUES OF GOLD

*We are deeply indebted to Mr. Gordon Tether, better known as "Lombard" of The Financial Times, London, England, for kindly consenting to write this article for the Annual Report. He is an international authority on the subject of "Gold".*

"Gold", said President de Gaulle in the course of the trenchant attack on the international monetary set-up that caused such a stir in the financial centres of the world earlier this year, *"is the only possible standard of value even for modern times, being eternal, unchanging, international and freely and universally accepted as the unalterable fiduciary value par excellence."*

Much of what the French leader said on that occasion, in support of his demand that the major countries should jointly carry out a major overhaul of the arrangements for settling international payments transactions, has been hotly contested. But there has been no tendency to question the validity of the striking tribute he paid to gold. And this is, indeed, hardly surprising. For, if there is one thing that has emerged clearly from recent developments in the battle over the international liquidity issue, it is that gold is enjoying a world-wide come-back in the sense that it is no longer fashionable to see it being doomed to suffer a persistent erosion of its traditional function as an international medium of exchange and store of wealth.

We have, in short, been witnessing a general re-awakening to the fact that the metal possesses inherent virtues of an outstanding kind. It can be said to have a strong claim to be allowed to play a



part of the greatest importance in keeping the financial wheels of the world turning in a modern setting as it had in the past.

There are many manifestations of this change of attitude besides the French demand that all official reserves should be expressed in gold and all balance of payments settlements between governments be executed through transfers of the metal. One is to be found in the fact that countries whose external reserves are largely or wholly expressed in the currencies of other States are becoming increasingly restive about the stability of the currency element in them and accordingly more inclined to chafe against the American policy of discouraging others from taking advantage of their right to convert excess holdings of dollars into gold. Another can be detected in the reluctance of the U.S. itself to exchange other people's holdings of dollars for gold when it still possesses a gold stock that is impressively large by world standards. Why should it be so desperately anxious to prevent a further run-down of its own gold holdings if it really believes in its long-standing contention that the dollar is every bit as good as gold?

Gold can thus be said to have beaten off in decisive fashion the challenge from its imitators. It is true that the world as a whole may not be willing to go as far as the French are urging it to do in the matter of limiting the use of the two main international currencies — the dollar and the pound — in providing raw material for national and foreign exchange reserves and in the settlement of payments deficits with other countries. But it is quite certain that, from now on, gold is going to play a part of increasing rather than dwindling importance in both these connections. It is also evident that, to the extent it is found necessary to supplement its work in these fields with artificially created national or international paper money, the latter will be so closely linked with gold that it will be almost indistinguishable from it.

This new trend is bound to have beneficial effects on all sides provided certain change-over difficulties are handled with appropriate skill. It cannot be doubted, to begin with, that the mounting distrust of the dollar and the pound has served to make the climate for economic expansion in the world at large less congenial than it might have been during the past year. And as things stand, it would tend to become even more potent in this harmful sense in the period immediately ahead. So the general pace of economic advancement should be speeded up by a change in the international liquidity arrangements which would result in the reserve currencies playing a lesser part in some forms of international financial activity and gold a correspondingly larger one.

Then, so far as the reserve currency countries themselves are concerned, it is patent that some of the more weighty aspects of their international banker activities have become such a bugbear in recent years that, even if the acceptance of a more modest role meant the loss of some of the more welcome international financial business too, they would still be left much better off on balance.

But, as already noted, if these benefits are to be reaped in full, it is of the utmost importance that the change-over problems should be competently dealt with. One such problem is to see that the prospective decline in the international banker activities of the U.S. and the U.K. does not either directly or indirectly impede the circulation of the credit needed to keep trade and commerce flowing smoothly. Another and equally important one is concerned with making sure that there is an adequate supply of raw material available for supporting an international liquidity system wherein gold is going to play a bigger part both in settling payments transactions and in providing countries with external reserves than it has been doing in recent years.

At the moment very nearly 40 per cent of the world total of national reserves is represented by reserve currencies and only about 60 per cent by gold. A big increase in the gold holdings would, therefore, be necessary just to allow the nations to hold reserves of the existing size primarily in gold. And there is general agreement that existing reserves in general do not provide sufficient coverage for cyclical and other temporary distortions in the external payments of individual countries — making due allowance for the fact that owned reserves can now be greatly reinforced by temporary reserves obtainable under international financial collaboration arrangements.

Bear in mind that, if gold were also more extensively used for settling international payments balances — and thanks to the American policy of discouraging conversion of surplus dollars into gold, its use to-day in this connection is very limited indeed — the amount that was regularly in transit, would be fairly substantial. In other words, to work well, the new international payments system toward which the world is moving as a result of the re-discovery of the virtues of gold may require a total official gold stock at least double the size which exists at present.

One way in which the world could try to deal with this part of the problem would be by creating a stock of international paper money that would be so powerfully backed and so closely linked with gold that there would be a prospect of it being regarded as identical with gold. But, before resorting to this expedient, the nations surely ought to ask themselves seriously whether it would not be simpler and more rational to seek the answer in a revaluation of the existing stock of gold by raising substantially the official price of the metal.

It is common ground after all that the main reason why gold has experienced so much difficulty in the post-war period in fulfilling its traditional function in the international payments field, lies in the fact that nothing has so far been done to correct the erosion of its real value caused by the persistent rise in the prices of all other goods and services. If it is now generally agreed that gold ought to be rehabilitated, it would surely be logical to see that the decline in its real value is made good by a suitable change in the gold-currencies relationship.





# Report of the Mine Manager

The President and Directors,  
Madsen Red Lake Gold Mines Limited,  
1109 - 55 Yonge Street,  
Toronto 1, Ontario.

Dear Sirs:

The Twenty-Ninth Annual Report, covering the operations for the year ended December 31st, 1964, is submitted for your consideration.

## PRODUCTION:

The following figures show the production for 1964 and comparable figures for 1963 and 1962:

	1964	1963	1962
Ounces of Gold .....	94,868.822	107,130.856	100,877.831
Ounces of Silver .....	15,861.83	16,906.820	17,492.092
Gross Value of Bullion .....	\$3,603,396.77	\$4,067,473.77	\$3,794,610.80
Average Price Gold/oz. ....	\$37.75	\$37.75	\$37.42
Average Price Silver/oz. ....	\$ 1.39	\$ 1.38	\$ 1.15

Under the provisions of the Emergency Gold Mining Assistance Act, it is estimated that the Company is entitled to receive \$695,000.00 or \$7.33 per ounce compared with \$454,000.00 or \$4.24 per ounce in 1963.

## OPERATING COSTS:

	1964			1963		
Tons Milled .....	305,823			306,247		
Ounces Produced .....	94,868.822			107,130.856		
	Total Cost	Per Ton Milled	Per Ounce	Total Cost	Per Ton Milled	Per Ounce
Development and Exploration ....	\$ 762,970.78	\$ 2.495	\$ 8.041	\$ 799,434.60	\$ 2.610	\$ 7.462
Stoping and Stope Preparation ....	907,975.47	2.969	9.571	988,232.11	3.227	9.224
Tramming, Hoisting and Pumping .....	503,747.49	1.647	5.310	471,946.66	1.541	4.405
Crushing and Conveying .....	76,038.40	0.249	0.802	78,960.00	0.258	0.737
Milling .....	365,584.49	1.195	3.854	331,748.49	1.084	3.097
Mine General .....	295,820.66	0.967	3.118	293,107.29	0.957	2.736
Employee Benefits .....	363,702.46	1.189	3.834	353,537.04	1.154	3.300
Administration Expenses .....	84,203.91	0.275	0.888	75,182.85	0.245	0.702
Marketing Charges .....	28,542.81	0.093	0.301	31,620.68	0.103	0.295
	\$ 3,388,586.47	\$ 11.079	\$ 35.719	\$ 3,423,769.72	\$ 11.177	\$ 31.958
Deduct: Estimated E.G.M.A. ....	695,000.00	2.273	7.326	454,000.00	1.482	4.238
Net Operating Cost .....	\$ 2,693,586.47	\$ 8.806	\$ 28.393	\$ 2,969,769.72	\$ 9.695	\$ 27.720

## MINE DEVELOPMENT:

The following table shows the total footage of development work completed during the year 1964, with comparable footages for 1963 and 1962, and total to date:

	1964	1963	1962	Total to Date
Shaft Sinking and Station Cutting .....	—	—	468	5,462
Crosscutting .....	1,238	5,258	886	32,814
Drifting .....	10,046	5,931	11,881	170,400
Raising .....	3,021	3,935	5,027	69,840
Diamond Drilling (Contract) .....	97,309	122,181	126,828	1,760,692
Diamond Drilling (Packsack) .....	63,144	43,890	38,022	145,056
Surface Drilling (Contract) .....	16,677	—	—	143,361
Draw Points .....	6	16	11	480

The footages of lateral development and raising completed during the year are shown by levels in the following table:

Level	Cross Cutting	Drifting	Raising	Level	Cross Cutting	Drifting	Raising
8 .....	49	119		21 .....		1,101	378
9 .....			202	22 .....		1,833	773
15 .....			267	23 .....		2,443	686
16 .....		339	227	24 .....	1,189	4,151	
17 .....		60		3985 .....			24
18 .....			182	Total .....	1,238	10,046	3,021
20 .....			282				

The development and exploration cost decreased from \$799,434.60 in 1963 to \$762,970.78 in 1964.

Crushing and loading facilities, for handling ore and development waste from all levels, were put into service at the 3,985-foot and 4,060-foot horizons respectively.

The 21 East Drift was driven to departure 21,387E. The 22 West Drift was driven to departure 13,720E. The 23 East Drift and 24 East Drift were driven to departures 20,009E and 19,805E respectively. The 24 West Drift was driven to departure 14,912E.

Diamond drilling from the 24th level, in the known ore zones from departure 17,600E to 19,800E, has not encountered any major ore bodies to date.

## MINING:

Stoping operations were carried out from the second to twenty-third level inclusive, with 67.8% of the mill feed coming from above the 2,650-foot horizon, or 17th level.

### Sources of Ore Delivered to Mill:

Ore Zone Number	Tons	*Grade	% Total Ounces
1 .....	163,740	0.374	60.12
2 .....	56,690	0.288	16.03
3 .....	22,300	0.258	5.66
4 .....	23,470	0.418	9.62
6 .....	23,300	0.227	5.19
7 .....	15,440	0.223	3.38
Total .....	304,940	0.334	100.00

\* Grade adjusted to coincide with calculated mill heads.



Deslimed mill tailings mixed with portland cement (7 to 1) provided a very satisfactory and economic floor for cut and fill stopes. This type of floor will be used in all cut and fill stopes in 1965.

#### Backfill:

The deslimed mill tailings placed as backfill amounted to 125,165 tons for a total of 1,330,602 tons to date.

#### ORE RESERVES:

After milling 305,823 tons, the Ore Reserve was decreased by 52,600 tons.

The estimated Ore Reserve for 1964 and comparable figures for 1963 are shown in the following table:

Block	December 31st, 1964			December 31st, 1963		
	Tons	Grade	Ounces	Tons	Grade	Ounces
Surface to 7th Level .....	22,000	0.267	5,874	4,980	0.287	1,430
7th Level to 11th Level .....	26,500	0.305	8,083	35,910	0.337	12,100
11th Level to 17th Level .....	193,000	0.276	53,268	191,620	0.284	54,473
17th Level to 23rd Level .....	545,500	0.321	175,105	591,550	0.346	204,812
Broken Reserve .....	13,000	0.290	3,770	28,540	0.300	8,555
Total Reserves .....	800,000	0.308	246,100	852,600	0.330	281,370

The Broken Ore in cut and fill stopes is not included in the 1964 estimate.

Packsack diamond drilling and test hole drilling of the walls of active stopes resulted in the locating and mining of 168,000 tons of additional ore in parallel lenses or extensions of known ore.

#### MILLING:

The milling data for the current year, the two previous years, and the total since the commencement of milling operations are shown in the following table:

	YEAR			Aug. 11, 1938 to Dec. 31, 1964
	1964	1963	1962	
Dry Tons Treated .....	305,823	306,247	311,705	6,134,601
Percentage Operating Time of Total Time .....	98.01	99.07	98.11	96.34
Tons Treated per Calendar Day .....	835.58	839.03	853.99	636.37
Average Gold Assay Heads, Troy Ounces .....	0.33415	0.37436	0.35108	0.31746
Average Gold Assay Tails, Troy Ounces .....	0.02321	0.02454	0.02748	0.01931
Percentage Recovery .....	93.04	93.44	92.17	93.92

#### BUILDINGS, MACHINERY AND EQUIPMENT:

The total Expenditures for Buildings, Machinery and Equipment amounted to \$121,586.66 as follows:

##### Buildings and Machinery:

Sprinkler additions .....	\$ 3,604.00	
Completion of Shafthouse floor .....	2,419.75	
Mill addition (Flotation) .....	6,358.50	
Houses and Trailers .....	75,267.14	
Plant Fence and Parking Lot .....	2,509.54	
Compressors .....	2,390.75	
Underground Conveying Machinery .....	16,041.63	
Miscellaneous .....	2,548.48	\$111,139.79

**Equipment:**

Office and Warehouse .....	\$ 3,103.56	
Shop .....	1,840.82	
Mill .....	1,555.22	
Assay Office .....	252.35	
Underground .....	3,694.92	10,446.87
Total .....		<u>\$121,586.66</u>

Eleven houses and two trailers were purchased during the year.

One house was built on the Red Lake District High School property for the exclusive use of High School teachers.

**GENERAL:**

There was a wage increase of five cents per hour covering all hourly rated employees, effective August 21st. This wage increase resulted from an agreement signed with the United Steelworkers of America on August 21st, 1964.

There were 233 hirings and 298 separations during the year compared with 252 hirings and 253 separations in 1963.

There were 365 full time employees on the payroll at year end.

A statement detailing the distribution of moneys spent for wages, pension, supplies, equipment and insurance to operate and maintain the mine during the year is appended to this report.

**CONCLUSION:**

I extend my sincere thanks to the Heads of Departments, and their staff, and to all of the Company employees, for their loyal and efficient service throughout the year.

The support and guidance of the President and Board of Directors, and the Head Office staff, are gratefully acknowledged.

Yours very truly,

K. R. NORTH, P.Eng. (Ont.),  
Mine Manager.

Madsen, Ontario,  
February 3rd, 1965.



# *General Summary of Expenditures for 1964*

## **Wages and Salaries:**

Wages and salaries .....	\$ 1,857,785.48	
Pension plan (current) .....	26,092.70	
Holiday with pay .....	45,870.20	\$ 1,929,748.38
		<hr/>

## **Contracts:**

P. L. Atkin .....	152,004.47
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## **Supplies:**

Hardware .....	\$ 23,808.54	
Iron and steel .....	21,236.89	
Tungsten carbide bits and steel .....	70,900.85	
Grinding balls .....	43,675.92	
Wire and cable .....	11,932.99	
Electrical supplies .....	39,345.64	
Pipe fittings and hose .....	28,154.57	
Rock drills and repairs .....	33,731.12	
Crusher repairs .....	26,064.44	
Mill repairs .....	53,314.99	
Building supplies .....	20,548.31	
Miscellaneous supplies and services .....	39,431.28	
Power (heating and operations) .....	181,971.21	
Timber .....	58,690.24	
Explosives .....	74,655.65	
Chemicals .....	88,933.55	
Fuel, oil, gas and lubricants .....	15,607.71	
Transportation .....	53,737.78	
Engineering and geological supplies .....	2,753.60	
Diamond drill bits and repairs .....	13,655.20	
Food products .....	60,730.53	
Equipment .....	10,446.87	
Machinery .....	18,501.02	
Buildings and housing .....	85,085.41	
House trailers .....	7,553.36	1,084,467.67
		<hr/>

## **Insurance:**

Fire, public liability, business interruption, bond, bullion, boiler and vehicle .....	\$ 4,542.67	
Sun Life and Associated Medical Services .....	28,109.84	
Workmen's Compensation and Silicosis .....	156,669.97	
Unemployment Insurance .....	17,519.39	206,841.87
		<hr/>

Sub-Total .....	\$ 3,373,062.39
Taxes: Dominion and Provincial .....	147,500.00
Total Expenditures .....	<u>\$ 3,520,562.39</u>



